

# Strategic Plan for 2007

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Insurance Commissioner Steve Poizner



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April, 2007

On January 8, 2007, I took the oath of office as Insurance Commissioner for the State of California. In my first hundred days, I have worked closely with the Department of Insurance's management team and employees to identify opportunities to streamline and modernize CDI operations and improve consumer service. The result of this collaboration is the Department's "2007 Strategic Plan."

With annual written premiums of more than \$118 billion, California is the fourth largest insurance market in the world. The Department licenses and monitors over 1,500 insurance companies and more than 340,000 agents and brokers. Our 1,270 employees work diligently to oversee this market and protect its consumers. The Strategic Plan is a tool to help ensure that CDI operates in the most efficient and effective manner possible.

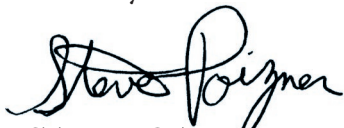
The plan outlines goals, objectives and specific action items. Behind each will be found an identified "initiative owner" and a detailed work plan that includes timelines for completion and mechanisms to monitor progress and outcomes.

Although this is a one-year document, it contains numerous elements that are on-going or have completion dates beyond 12 months. This is by design. The document is not to be blindly or rigidly implemented. Rather, it is a dynamic plan that will be updated annually and modified where necessary to respond to the changing needs of both CDI and the diverse constituencies it serves.

While I have a number of goals to accomplish in my Administration, they all fall under one overarching priority: to make the California Department of Insurance the best – and best run – consumer protection agency in the country. While this is an ambitious goal, I know that we at CDI have the dedication and talent to achieve it . . . and more.

I thank the CDI staff for their past, present and future service. It is a truly extraordinary team.

Sincerely,

A handwritten signature in black ink that reads "Steve Poizner". The signature is fluid and cursive, with the first name "Steve" and last name "Poizner" clearly legible.

STEVE POIZNER  
Insurance Commissioner

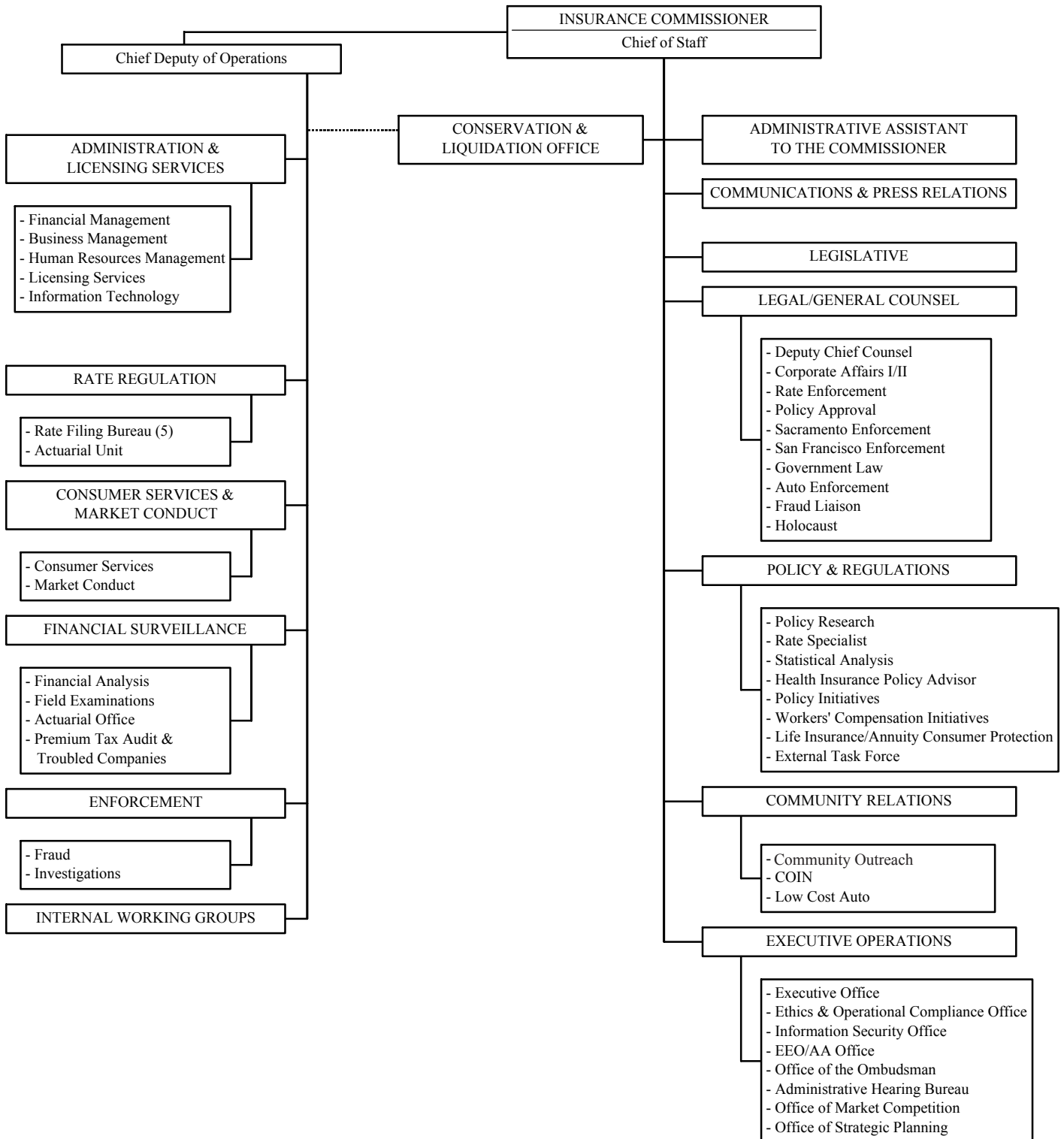
## California Department of Insurance Quick Facts 2007

- CDI regulates California's \$118 billion insurance industry, the fourth largest insurance market in the world. It oversees a litany of areas including life, fire, homeowner, automobile, marine, title, surety, disability, liability, workers compensation, boiler and machinery, credit, burglary, mortgage and financial guaranty, home protection companies, grants and annuities, fraternal societies, surplus line carriers, and motor clubs.
- CDI collected \$2.2 billion in premium and surplus lines taxes in FY 2005-06 that were deposited in the General Fund.
- California's market share in life insurance is 9.68% of the national premium written. California is #1 in the nation in market share. (Source: NAIC- CY 2006)
- California's market share of Property and Casualty is 12.89% of the national premium written. California is #1 in the nation in market share. (Source: NAIC- CY 2006)
- CDI licenses approximately 203,000 "resident" agents/brokers and approximately 77,000 non-resident agents/brokers.
- CDI receives approximately 6,000 applications for new agents/brokers licenses every month.
- CDI receives nearly 10,000 renewal applications every month from agents/brokers.
- CDI receives approximately 30,000 calls every month in the Producer Licensing Bureau. The majority of these calls are from agents/brokers/companies. The staff personally assists approximately 18,000 callers each month. The electronic response system assists the remaining callers.
- On average, the CDI receives over 25,000 calls from consumers every month on its consumer Hotline . The staff personally assists the consumer by answering insurance questions or resolving problems.
- CDI receives approximately 25,000 suspected fraudulent claims (SFCs) annually. The SFCs relate to workers' compensation, automobile, property/casualty, disability/healthcare, and life. The SFCs are reported by insurance carriers, consumers, law enforcement, businesses, and governmental agencies. Additionally, approximately 1,200 complaints regarding agent/broker/producers activities are reported annually by consumers and other stakeholders.

- CDI will monitor approximately 170 insurance-related bills in the legislature this year.
- CDI has 1,338 authorized positions for the 2006-07 fiscal year.
- CDI has 16 locations throughout California. The three largest offices are:

Sacramento	300 employees
Los Angeles	400 employees
San Francisco	200 employees
- CDI's budget for the 2006-07 fiscal year is \$197.3 million. \$156.7 million is for State Operations and \$40.6 million is for Local Assistance. The CDI receives no funding from the State General Fund. The CDI is supported entirely from the Insurance Fund (license fees and penalties, insurance company exam fees, Proposition 103, fraud assessments, etc.)
- 45% of CDI employees are 50+ years old. 27% currently qualify for retirement (55+ years) and 18% will qualify for retirement within five years (50-54 years old).

State of California DEPARTMENT OF INSURANCE



**CALIFORNIA DEPARTMENT OF INSURANCE  
STRATEGIC PLAN  
2007**

Transparent Values

Honest, open and fair  
Knowledgeable, accurate and consistent  
Accessible, responsive and accountable  
Efficient and effective to provide innovative leadership

A Clear Vision

To be the best consumer protection agency in the nation

A Common Mission

Protect consumers  
Seek innovative ways to foster healthy and fair market competition.  
Vigorously ensure that insurance companies fulfill their legal and contractual obligations  
Ensure that consumers have full and meaningful information about insurance products, companies and agents;  
Maintain an open, equitable regulatory process  
Fairly and impartially uphold the law

Shared Goals

Increase Affordable Options for Insurance Consumers  
Ensure Consumers Are Well Informed About Their Options and Responsibilities  
Protect Insurance Consumers from Bad Actors and Unfair Practices  
Evolve the CDI into the #1 Consumer Protection Agency in the United States

## CALIFORNIA DEPARTMENT OF INSURANCE STRATEGIC PLAN 2007

### **GOAL 1. INCREASE AFFORDABLE OPTIONS FOR INSURANCE CONSUMERS**

#### **Objective 1.1**

Ensure that homeowner insurance rates are not excessive by requiring that insurers, who appear to have excessive rates (based on reported loss ratios), to submit new rate filings.

Responsible Branch:

Rate Regulation (Primary) and Legal (Secondary)

Success Metric:

Reduced premium rates following submission of rate filings.

Target Completion Date:

December, 2007

#### **Objective 1.2**

Ensure that title insurance rates are not excessive by implementing rate regulations and also seeking a regulatory mechanism that will give consumers more direct say in the purchase of title insurance.

Responsible Branch:

Legal (Primary) and Rate Regulation and Policy and Regulations (Secondary)

Success Metric:

Reduced escrow and title rates following submission of mandated rate filings.

Target Completion Dates:

Regulations to be submitted to OAL by July, 2007; Data call is due on or before April 30, 2009.



**Objective 1.3**

Protect homeowners from arbitrary surcharges and non-renewals (often known as “Use it and Lose It”) by restricting the use of surcharges, requiring disclosure of the insurer’s practices with regard to the use of claims history, and issuing a data call on non-renewals and other necessary information

Responsible Branch:

Special Counsel to the Commissioner (Primary) and Legal (Secondary)

Success Metric:

Implementation of requisite regulations and reduced consumer complaints related to surcharges and non-renewals.

Target Completion Date:

Project plan completed by May, 2007. Issue data call by September, 2007. Complete rulemaking process and submit proposed regulations to OAL by February, 2008.

**Objective 1.4**

Develop a set of measures (“report card”) for each major line of insurance to assess the level of competition, financial soundness of companies, price and service levels.

Responsible Branch:

Policy and Regulations

Success Metric:

Implementation of the Report Card in CDI’s annual strategic planning process.

Target Completion Date:

December, 2008

**Objective 1.5**

Create Catastrophe Task Force and solicit public and private sector expertise to identify creative ways to develop sound catastrophe insurance products; and, to assess the financial health of the California Earthquake Authority by: (1) ascertaining the appropriateness of the CEA’s “claim paying capacity”; (2) analyzing the financial solvency of the supplemental program to determine whether it should be merged with the base program.

Responsible Branch:

Financial Surveillance (Primary) and Legal, Rate Regulation, and Policy and Regulations and (Secondary)

Success Metric:

Viable recommendations and action plan for implementing the recommendations.

Target Completion Dates:

Task Force identified by September, 2007; Report submitted by June, 2008

**Objective 1.6**

Implement Automobile Rating Factor Regulations by reviewing all private passenger automobile rate and class plan filings to ensure compliance with the regulations; and by initiating actions against non-complying companies.

Responsible Branch:

Rate Regulation (Primary) and Legal (Secondary)

Success Metric:

All rate filings reviewed, approved, and actions initiated against any companies not in compliance.

Target Completion Date:

December, 2007

**Objective 1.7**

To contain health insurance costs and limit premium inflation, work with health insurers to develop strategic investments in areas such as , electronic medical records, comparative effectiveness of drugs and procedures, etc., that will benefit from market cooperation. Establish systems of measurement to measure progress and effectiveness.

Success Metric:

Creation and use of systems that successfully measure progress and effectiveness.

Responsible Branch:

Executive (Primary)

Target Completion Date:

December, 2007

**Objective 1.8**

Pursue feasibility of producing a Report Card on PPO's performance, based on complaints and access to care issues.

Responsible Branch:  
Executive (Primary)

Success Metric:  
Feasibility Study Report completed.

Target Completion Date:  
June, 2008

**Objective 1.9**

To contain costs and limit premium inflation, explore incentives to open up new health care market niches, such as retail clinics, that have been pursued in other states, but are still in their inception in California. Reduce unnecessary regulatory burdens that might stand in the way of new markets developing.

Responsible Branch:  
Executive (Primary)

Target Completion Date:  
December, 2007

**GOAL 2. ENSURE THAT INSURANCE CONSUMERS ARE WELL INFORMED ABOUT THEIR  
OPTIONS AND RESPONSIBILITIES**

**Objective 2.1**

Improve coordination of outreach activities by creating a statewide field program to communicate with Community Based Organizations (CBOs) that serve our target populations on a count- by -county basis.

Responsible Branch:

Community Relations (Primary) and Consumer Services (Secondary)

Success Metric:

Documented strategic plan by May, 2007

Target Completion Date:

December, 2008

**Objective 2.2**

Re-institute a public awareness campaign focusing on the development and (free) placement of print, radio, web-based, and TV Public Service Announcements (PSAs). Topics recommended are: Senior Protection, Disaster Prep & Mitigation, Post-Disaster Insurance Claims Process, 800 Number Helpline, Youth Insurance Issues and Health Insurance. Attention should be paid to providing Spanish versions where possible and practical.

Responsible Branch:

Communications (Primary) and Community Relations and Consumer Services (Secondary)

Success Metric:

Number of PSAs delivered and volume of inquiries received in response to the PSAs

Target Completion Dates:

Plan due: December 2008; full implementation by December, 2010

**Objective 2.3**

Increase consumer education by developing and offering web-based videos and other information at the CDI website.

Responsible Branch:

Administration & Licensing Services (Primary) and Community Relations and Consumer Services (Secondary)

Success Metric:

Deployment of functionality that allows consumers to: 1) “attend on demand” (via streaming video) hearings and other CDI meetings and events without the need to travel; 2) interact with Department experts on specified subjects via “live chat” and Blogs; and, 3) respond to polls and surveys that allow the Commissioner to tune into the pulse of his constituents gathering current thoughts, ideas, and reactions.

Target Completion Date:

June, 2008

**Objective 2.4**

Increase consumer participation by establishing a task force consisting of consumer representatives - A Citizens’ Panel

Responsible Branch:

Community Relations

Success Metric:

Task Force created, meetings held, and comments/suggestions received.

Target Completion Date:

December, 2007

**Objective 2.5**

Increase consumer education by educating high school students about important insurance issues.

Responsible Branch:

Community Relations (Primary) and Consumer Services (Secondary)

Success Metric:

Inclusion of insurance as a component of the high school curriculum

Target Completion Date:

December, 2009

**Objective 2.6**

Increase public awareness of the value of disaster preparation and mitigation by creating Public Service Announcements (PSAs) stressing disaster preparation and mitigation for each type of disaster (i.e., purchase of EQ, Flood and other insurance products).

Responsible Branch:

Communications (Primary) and Community Relations (Secondary)

Success Metric:

PSAs created and aired throughout the state

Target Completion Date:

July, 2008

### **GOAL 3. PROTECT INSURANCE CONSUMERS FROM BAD ACTORS AND UNFAIR PRACTICES**

#### **Objective 3.1**

Improve consumer protections for Senior Citizens by pursuing suitability requirements for sales of annuity products and through stronger enforcement of laws enacted to protect seniors.

Responsible Branch:

Legal (Primary) and Enforcement (Secondary)

Success Metric:

Implementation of suitability requirements, fewer complaints regarding unsuitable annuity sales, and no unaddressed complaints regarding abusive sales practices involving senior citizens.

Target Completion Date:

August, 2007 and on-going

#### **Objective 3.2**

Conduct training for district attorneys regarding the Life and Annuity Consumer Protection Program and senior financial abuse.

Responsible Branch:

Enforcement

Success Metric:

Training completed for each county seeking local assistance funding under the Life and Annuity Consumer Protection Program.

Target Completion Date:

December, 2007

**Objective 3.3**

Conduct Life and Annuity Consumer Protection Program and Senior Financial Abuse Training for investigative staff.

Responsible Branch:  
Enforcement

Success Metric:  
Training completed for all investigators. No enforcement cases mishandled because of inadequate or no training.

Target Completion Date:  
June, 2007

**Objective 3.4**

Conduct an orientation of the Life and Annuity Consumer Protection Program for CDI's Consumer Hotline staff and Consumer Division caseworkers.

Responsible Branch:  
Enforcement (Primary) and Consumer Services and Market Conduct (Secondary)

Success Metric:  
Orientation completed. No consumer complaints mishandled because training was not given.

Target Completion Date:  
June, 2007

**Objective 3.5**

Monitor the impact of workers compensation reforms and take action to ensure that injured workers receive appropriate treatment in a timely manner and that insurers reduce rates to appropriate levels.

Responsible Branch:  
Workers Compensation Working Group

Success Metric:  
Fewer justified complaints about inappropriate/untimely treatment caused by the workers compensation reforms. Premium rate reductions are in line with actual cost savings.

Target Completion Date:  
On-going



**Objective 3.6**

Reduce the number of uninsured drivers by expanding the Low Cost Auto program and assisting the DMV with enforcement efforts.

Responsible Branch:  
Community Relations

Success Metric:  
Reduction in the uninsured motorist rate.

Target Completion Dates:  
Detailed implementation plan due December 2007; Full implementation: December, 2010

**Objective 3.7**

Reduce workers compensation premiums by aggressively pursuing all aspects of workers compensation fraud.

Responsible Branch:  
Enforcement

Success Metric: An increase in the rate of return on workers compensation fraud expenditures. Currently, for every \$1.00 spent, \$4.90 in chargeable fraud is prosecuted.

Target Completion Date:  
On-going

**Objective 3.8**

Create a Fraud Task Force with public and private sector expertise to identify creative ways to fight fraud and to ensure that CDI maximizes resources.

Responsible Branch:  
Enforcement (Primary) and Special Assistant to the Commissioner (Secondary)

Success Metric:  
Written report with recommendations.

Target Completion Date:  
December, 2007

**Objective 3.9**

Ensure that Fraud Control Program has revenues to match budget expenditure authority by working with interested parties to reach consensus on consistent long-term funding sought in AB 1401

Responsible Branch:

Legislative Director (Primary) and Administration & Licensing Services and Enforcement (Secondary)

Success Metric:

Sufficient revenue to support authorized expenditures.

Target Completion Date:

September, 2007

**Objective 3.10**

Implement recruitment and retention strategies to hire and retain investigators in the Fraud and Investigations Divisions.

Responsible Branch:

Administration & Licensing Services (Primary) and Enforcement (Secondary)

Success Metric:

Reduce vacancy rate from 20% to 10% (includes 5% salary savings).

Target Completion Date:

Recruitment and Retention plan due August 1, 2007. Plan to be implemented by July 1, 2008

**Objective 3.11**

Maximize enforcement resources by developing an effective and responsive prioritization process focused on the highest profile cases; and, by developing measurement criteria to monitor success.

Responsible Branch:

Enforcement

Success Metric:

Development of performance measures acceptable to law enforcement, insurance industry, and the general public.

Target Completion Date:

July 1, 2007.

**Objective 3.12**

To ensure that the CDI's Consumer Communications Bureau handles consumer inquiry and complaint cases in an expeditious manner.

Responsible Branch:

Consumer Service and Market Conduct Branch

Success Metric:

All non-mediation cases closed within 90 days of opening.

Target Completion Date:

December, 2007

**Objective 3.13**

Develop a more dynamic and proactive working relationship with the Department of Managed Health Care, to make sure no potential violations fall between the cracks of divided regulatory jurisdiction.

Responsible Branch:

Executive (Primary) and Legal (Secondary)

Target Completion Date:

In process, and ongoing

**Objective 3.14**

Reform the State Compensation Insurance Fund (SCIF). The State Compensation Insurance Fund is the largest workers' compensation insurer in the country. Due to financial improprieties that have recently been uncovered, it has become apparent that SCIF is lacking basic financial and management controls that are appropriate for an insurer of its size. We will do a "top to bottom" audit of SCIF to ascertain its current financial condition and make recommendations for changes in its internal controls, some of which will require legislation.

Responsible Branch:

Financial Surveillance (Primary) and Legal (Secondary).

Success Metric:

Report on SCIF's financial condition and viable recommendations and action plan for implementing the recommendations.

Target Completion Date:

Complete financial audit and make recommendations for internal control changes by September 30, 2007

**GOAL 4. MAKE THE CDI INTO THE BEST -- AND BEST-RUN CONSUMER PROTECTION AGENCY  
IN THE UNITED STATES**

**Objective 4.1**

Engage in top-down review and assessment of the entire organization to optimize resource allocation.

Responsible Branch:

Administration and Licensing Services

Success Metric:

Action Plan to align the CDI's operating budget and staffing with the current and future workload associated with the agency's mandated responsibilities and key initiatives after taking into consideration new approaches and impact of new technology.

Target Completion Date:

December, 2007

**Objective 4.2**

Expand the use Enterprise Information Portal (EIP) and Integrated Data Base to provide greater management access to information about CDI's operational status and metrics and the health of the insurance industry

Responsible Branch:

Administration & Licensing Services

Success Metric:

Delivery of the functional requirements as outlined in the work plan for Phase 2 of the EIP project. Increased utilization of the system as measured by Oracle portal logs.

Target Completion Date:

Statement of Work completed & issued to vendors on April 11, 2007. Contract to be awarded on May 4, 2007.

Meet with CDI Management and reach agreement on direction and create Project Schedule on June 8, 2007.

More tasks and due dates will be added after the vendor is on board and we jointly decide the priorities.

**Objective 4.3**

Increase information sharing and develop cross-branch working groups to ensure consistent CDI practices and policy when communicating (“One Voice”) with the public, consumer groups and industry.

Responsible Branch:  
Operations

Success Metric:  
No instances of inconsistent directives to the industry or public that could have been prevented by inter-branch coordination.

Target Completion Date:  
On-going project with working group report due December 2007

**Objective 4.4**

Develop an enhanced recruiting operation that includes streamlined application and testing processes.

Responsible Branch:  
Administration & Licensing Services

Success Metric:  
High quality job applicants as measured by hiring supervisors.

Target Completion Dates:  
Plan due December, 2007; implementation by December, 2008

**Objective 4.5**

Recruit and hire a dynamic and forward-thinking HR Director to succeed the retiring HR Chief.

Responsible Branch:  
Administration & Licensing Services

Success Metric:  
Satisfactory performance as measured by the Executive Staff.

Target Completion Date:  
Person hired and on board in June, 2007. Performance measured by June 2008.

**Objective 4.6**

Develop a robust training program for management focused on increased personal accountability, teambuilding, and career development within the agency.

Responsible Branch:

Administration & Licensing Services (Primary) and Executive Operations (Secondary)

Success Metric:

No valid employee complaints about an inappropriate/inadequate supervision or management practice that could have been prevented with appropriate management training.

Target Completion Dates:

Plan due December, 2007; Implementation by June, 2008

**Objective 4.7**

Improve accessibility and usability of the CDI Intranet.

Responsible Branch:

Administration & Licensing Services

Success Metric:

Employee satisfaction as measured by an employee survey.

Target Completion Dates:

Plan due December, 2007; implementation by June, 2008

**Objective 4.8**

Operate in a responsive and efficient manner – and as paperless as possible- by converting to electronic based images and by routing imaged documents to work processing points in CDI.

Responsible Branch:

Administration & Licensing Services

Success Metric:

Implementation (within budget) that achieves the benefits promised in the Project Feasibility Study Report (FSR).

Target Completion Date:

FSR completed and submitted to Department of Finance in December, 2007. Secure project funding and select vendor in July, 2008. Project timeline to be prepared by vendor in July, 2008

**Objective 4.9**

To improve the use of the CDI's Hotline as a tool for identifying and reporting potential industry problems or trends.

Responsible Branch:

Consumer Services and Market Conduct Branch

Success Metric:

95% of all Automated Call Distribution system (ACD) calls entered into the tracking system.

Target Completion Date:

December, 2007

## For Further Information

There are many more issues, programs, resources, services and assistance available from the California Department of Insurance than identified in the Strategic Plan. We encourage you to utilize the following contact for more information:

CDI internet homepage

[www.insurance.ca.gov](http://www.insurance.ca.gov)

Consumer Communications Bureau

800-927-HELP (4357)

Producer Licensing Bureau

800-967-9331

Criminal Investigations Fraud Tip Line

(916) 854-5700

Department Ombudsman

(916) 492-3545

Media Relations

(916) 492-3566

Commissioner's Office

(916) 492-3500